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S E C R E T SECTION 01 OF 03 TIRANA 000480

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SUBJECT: MEICO AND ARMS DEALS IN ALBANIA

Classified By: Ambassador John L. Withers for reason 1.4 (d).

11. (C) Summary. Due to its involvement in the Gerdec tragedy and revealed arms scandals, the image of Albania's Military Export-Import Company (MEICO) suffered a significant blow last year. As result, MEICO Director Granit Leka claims that arms sales from Albania have virtually dried up, although Leka is working to revive MEICO's image and activity. To this end, Leka has requested U.S. assistance in obtaining legitimate arms sales to Afghanistan. Post discourages any U.S. assistance. Leka also claimed to Poloff that MEICO has not been involved in recent attempts to sell RDX stored adjacent to Mjekes' demilitarization facility (ref a), but that an Ardian Shashaj in the Ministry of Defense's Budget Directorate has spearheaded this effort. An overview of MEICO and its history will put these issues into perspective.
End Summary.

SELLING OFF ALBANIA'S INHERITANCE

12. (C) MEICO was created in October 1991, soon after the fall of communism. On paper, its purpose was to "manage" the gigantic store of equipment and munitions which the Albanian Armed Forces had inherited from the paranoid, isolationist communist regime. In practice, MEICO's purpose was to try to sell these excess weapons and equipment off as a source of state income. Indeed, current MEICO Director Granit Leka admits that no importing was done during this first period and that all activities were focused on export.

13. (C) MEICO's staff was rudimentary, consisting initially of one director and one secretary. Hence, while in theory MEICO managed all military exports, in practice individual entities managed their own sales and merely used MEICO as the official conduit. To enforce this, Defense Ministers would require the intermediary of MEICO for other entities to receive export licenses.

PINARI AND LEKA; INVOLVEMENT IN BOSNIAN WAR

14. (C) In 1991, the short-lived post-communist Socialist Party-led government appointed Ylli Pinari as the first director of MEICO. Pinari would continue to play an intermittent role in MEICO until his arrest in 2008 for his involvement in the Gerdec scandal. However, his first tenure at MEICO lasted only one year, as the Democratic Party-led government removed him in 1992. Along with a new director, the Democrats brought in Granit Leka. Leka had served for decades as the head of the Mjekes Explosives Factory. In the 1980s, he had developed close relations with the Swedish government, who invested heavily in the modernization of Mjekes, a rare success in communist Albania. Wanting to tap into Leka's foreign contacts, the GOA put Leka in charge of MEICO's external interactions.

15. (C) In 1994, Leka completed MEICO's first large

international sale. Croatia, heavily involved in the Yugoslav and Bosnian wars, bought munitions propellant from Leka for a total of USD 2 million. In reward, shortly after, Leka was appointed MEICO director. Later, in 1995, Bosnia also bought propellant from MEICO to use as barter with Croatian forces in the ongoing war.

¶6. (S//NF) According to ref b, a Western EOD specialist alleged that during the 1990s (possibly up until 1999), Albania also sold RDX to Iran. In fact, one container of the remaining 150 tons of RDX still stored at the Mjekes facility contained a shipping label for the Ministry of Defense of the Republic of Iran (ref c). Upon request, the MoD conducted an informal investigation and confirmed that no sale of RDX to Iran ever occurred. US sources were also unable to find any evidence of an Albanian sale of RDX to Iran.

1997 COLLAPSE AND RETURN OF PINARI

¶7. (C) The 1997 collapse discredited all in office during the Democrats' tenure. Leka stated to poloff that in 1998 internationals were brought in to conduct an audit of MEICO. Although the audit proved MEICO without fault, Leka was removed from office and replaced by a brother of influential Socialist Parliamentarian, Ermelinda Meksi (Leka did not give the name of the brother). MEICO was all but inactive under Meksi's brother, and sometime in the early 2000s, Pinari was brought back in to replace Meksi.

¶8. (C) The return of Pinari was accompanied by growing media suspicion about Albania's involvement in shady arms deals.

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One Albanian journalist has compiled the following list (most of it unconfirmed by official sources):

- In 2003, Amnesty International reported that Albania was transporting arms to Rwanda through the Rwandan company Silverback Cargo.
- In 2005, media accused Albania of violating an arms embargo on Congo.
- Media claim that from 2004 to 2006 Albania sold planes and helicopters to Sudan.
- Media claim that in February 2008, MEICO sold 3,200 Chinese-made 107mm Katyusha rockets to a private American-Israeli company.

GERDEC AND AEY

¶9. (C) Sometime after the Democrats came back to power in 2005, Leka was brought back into MEICO as a consultant, although Pinari stayed as director. According to Leka, relations between him and Pinari were poor and communication all but nonexistent. Leka claims to have known almost nothing about Gerdec. After the March 15, 2008 explosion at Gerdec, media also revealed MEICO's involvement in illegal sales of Chinese ammunition to Afghanistan through American company AEY. Pinari was arrested for his involvement in Gerdec and is now standing trial, along with 27 others, for abuse of office. After Pinari's arrest, Leka was reinstalled as MEICO director. (Note. The U.S. company AEY is also facing criminal charges in Florida. Their trial is set to begin in September. End Note.)

MEICO TODAY

¶10. (C) Leka has complained that the Gerdec and AEY scandals have made it all but impossible for him to complete foreign sales. First, the scandals have severely tarnished MEICO's image. Second, Pinari sold ammunition to AEY at ridiculously

low prices (e.g. USD 4 per 1000 7.2mm bullets), and foreign companies are demanding the same prices (Leka feels he cannot sell for a profit at less than USD 12 per 1000 bullets). He claims his only sale this year has been machine gun tripods to Macedonia and some trophy Kalashnikovs.

¶11. (S//NF) An internal MoD source has confirmed an April 28 Defense Ministerial Order to transfer the following items to MEICO for sale to Montenegro: 420 machine gun tripods, 86 12.7mm machine gun frames, and approximately 800 tons of Amatol (civilian grade) explosives. A truck reportedly arrived June 8 to pick up 35 of the frames and 225 tripods for shipment.

¶12. (C) In order to revive MEICO's image and activity, Leka has increased the staff to 12 and has also developed MEICO's role in importing. According to Leka, the Ministry of Interior is forbidden from making supply purchases from foreign agents, so MEICO has taken on this role, buying foreign flak vests, pistols, etc, and then selling them to the Ministry of Interior for a commission.

¶13. (U) MEICO is a strange hybrid - an autonomous state entity. It controls its own internal budget and decision making, but is subordinate to the Ministry of State. In essence, it acts as a sales agent for the Ministry of Defense and Interior. MEICO does not control the money from sales, but instead receives a percentage commission for each sale.

¶14. (U) MEICO has access to the MoD's entire inventory for selling purposes. Indeed, MEICO's website declares, "We can offer for sale military equipment (functional or not) and spare parts, such as MiG 17, 19, and 21 jets, helicopters, tanks and submarines." A sale is made in the following way: When a foreign company approaches MEICO with interest in a certain item, MEICO requests that the Minister of Defense release that item for sale. The DefMin convenes a categorization committee, which declares whether or not the item can be sold (this step is usually pro forma), then he convenes a pricing committee to determine the price. The item is then released to MEICO for sale. (Note. Many of the members of the pricing committee have been indicted in the Gerdec scandal, which has paralyzed work on this committee. End Note.)

RDX

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¶15. (C) This model, however, has not been followed in the current case involving 150 tons of RDX (hexogen) stored at Area C in Mjekes. Over the last year, U.S. experts have repeatedly raised concern about the presence of this RDX so close to the demil line at Mjekes and have requested it be removed. The MoD has stalled on its removal as some have sought to sell the RDX. When asked, Leka replied that neither he nor MEICO have been involved in efforts to sell the RDX, and he blamed an Ardian Shashaj in the MoD budgeting directorate. Reportedly, last year a Czech firm sent a Hungarian and Kosovar representative separately to Albania to inquire into the RDX. When Leka met with them, he deemed their offer un-serious and turned them away. Since then they have repeatedly met with Shashaj to push this. Shashaj has allegedly sought to circumvent MEICO to reach an agreement on this deal. To date, no deal has been completed, but the Minister of Defense has still not signed an order to destroy the RDX as requested by U.S. advisors.

LEKA SEEKS ASSISTANCE

¶16. (C) In order to boost MEICO's image, Leka requested any assistance in sealing a deal to legitimately sell ammunition or weapons to Afghanistan. Post strongly discourages U.S. assistance in this matter for the following reasons. First,

there is serious concern over the reliability of Albanian ammunition, most of which is of Chinese or Soviet make and over 30 years old. Second, efforts to sell ammunition could increase MOD staff's reluctance to proceed with its demilitarization and destruction, which is one of our highest national security priorities for Albania.

WITHERS